



County of San Diego

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To the honorable members of the Board of Supervisors and the Citizens of San Diego County:

The Comprehensive Annual Financial Report (CAFR) of the County of San Diego (County) for the fiscal year ended June 30, 2011, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of San Diego's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

County Profile

San Diego County is the southernmost major metropolitan area in the State of California and covers 4,261 square miles, extending 75 miles along the Pacific Coast from Mexico to Orange County, and inland 75 miles to Imperial County along the international border shared with Mexico. Riverside and Orange counties form the northern boundary. The County enjoys a wide variety of climate and terrain, from coastal plains and fertile inland valleys to mountain ranges and the Anza-Borrego Desert in the east. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is 10 inches, so the County is highly dependent on imported water.

In March 2011, the U.S. Census Bureau estimated the County's population for 2010 to be 3,095,313 an increase of 10.0% from the 2000 figure of 2,813,833. The State of California Department of Finance released population data incorporating the 2010 Census counts as the benchmark, and the County's population for January 1, 2011 was estimated to be 3,118,876. San Diego is the second largest county by population in California behind Los Angeles County. There are 18 incorporated cities in the County; of them, the City of San Diego is the largest, with a population of approximately 1,311,882; and Del Mar is the smallest, with a population of approximately 4,187. In addition, the Tijuana, Mexico, metropolitan area with an estimated population of approximately 1,751,430 according to the 2010 census, is a substantial urban neighbor with a shared border, workforce, and economy.

The racial and ethnic composition of the County is as diverse as its geography. The regional population for 2030 is forecasted to be 3.9 million according to the San Diego Association of Governments' (SANDAG's) 2050 Regional Growth Forecast released in February 2010. SANDAG projects that in 2030 San Diego's population breakdown will be 41.9% White, 37.0% Hispanic, 11.4% Asian and Pacific Islander, 5.4% African American, 3.5% two or more races, and 0.8% in all other groups. A significant growth in the Hispanic population is seen in this projection.

County Government, Economy and Outlook

County Government

San Diego became one of California's original 27 counties on February 18, 1850, shortly after California became the 31st State in the Union. The County functions under a charter adopted in 1933, as subsequently amended from time to time. A five-member Board of Supervisors elected to four-year terms in district, nonpartisan elections governs the County. Each board member is limited to no more than two terms and must reside in the district from which he or she is elected. The Board of

Supervisors sets priorities for the County and oversees most County departments and programs and approves their budgets. Per California Government Code Section 23005, the County may exercise its powers only through the Board of Supervisors or through agents and officers acting under the authority of the Board or authority conferred by law. The Board of Supervisors appoints the following officers: the Chief Administrative Officer (CAO), the County Counsel, the Probation Officer and the Clerk of the Board of Supervisors. The Chief Administrative Officer appoints the Chief Financial Officer, the Auditor and Controller and all other appointive officers. The CAO assists the Board of Supervisors in coordinating the function and operations of the County; is responsible for carrying out all of the Board's policy decisions that pertain to the functions assigned to that officer; and supervises the expenditures of all departments. Elected officials head the offices of the Assessor/ Recorder/ County Clerk, District Attorney, Sheriff and Treasurer-Tax Collector.

The State Legislature has granted each county the power necessary to provide for the health and well-being of its residents. The County provides a full range of public services to residents, including law enforcement, detention and correction, emergency response services, health and sanitation, parks and recreation, libraries and roads. The County also serves as a delivery channel for many State services, such as foster care, public health care and elections. These services are provided by five business Groups (Public Safety, the Health and Human Services Agency, Land Use and Environment, Community Services and Finance and General Government), each headed by a General Manager [Deputy Chief Administrative Officer (DCAO)] who reports to the CAO.

Economy and Outlook

The U.S. economy suffered through a very deep recession beginning in December 2007 and ending in June 2009 according to the National Bureau of Economic Research (NBER). The recession lasted approximately 18 months making it the longest recession since 1929. The economic events of September and October, 2008, in particular, have had far reaching and long-term impacts on the financial markets in the U.S and around the world.

On July 29, 2011, the Bureau of Economic Analysis (BEA) released revised data for 2008 through 2010 that indicated that the recent recession was deeper than previously thought and that the level of real gross domestic product (GDP) had not yet attained its pre-recession peak by the second quarter of 2011. In 2010, real GDP increased by 3.0% in contrast to a decrease of 3.5% in 2009. According to the second estimate released by the Bureau of Economic Analysis, the U.S. economy increased at an annual rate of 1.0% in the second quarter of 2011.

The forecast for 2011 depicts a real GDP increase of 1.5% from 2010. Real GDP growth is expected to continue in 2012.

Minutes from the Federal Open Market Committee meeting on August 9, 2011, indicated that the pace of the economic recovery remained slow in recent months and that labor market conditions continued to be weak. Overall, consumer price

inflation moderated in recent months, and measures of long-run inflation expectations remained stable. Private non-farm employment rose at a considerably slower pace in June and July than earlier in the year, and employment in state and local governments continued to trend lower. The unemployment rate edged up since the beginning of the year, and long-duration unemployment remained very high. Activity in the housing market continued to be depressed, held down by the large inventory of foreclosed or distressed properties on the market and by weak demand in an environment of uncertainty about future home prices and tight underwriting standards. Manufacturing production was unchanged in June. Supply chain disruptions associated with the earthquake in Japan continued to hinder production at motor vehicle manufacturers and the firms that supply them. However, supply chain disruptions are expected to ease, and motor vehicle assembly schedules called for a substantial step-up in production. Real consumer spending was nearly unchanged in the second quarter of 2011. Motor vehicle purchases have rebounded somewhat in July as supplies improved. Labor earnings rose in the second quarter, but increases in consumer prices offset much of the gain in nominal income.

Some significant risks facing the U.S. economy in 2011 include possible effects of spillovers from the lack of a credible plan for an orderly resolution of the sovereign debt crisis in Europe's periphery (Source: Moody's Economy.com - Global Outlook: Trying Times for the Recovery August 31, 2011), the continued weakness in the housing market, weak labor market conditions, weakness in consumer spending, and uncertainty surrounding the outlook for economic growth (Source: Minutes from the Federal Open Market Committee meeting on August 9, 2011). The Federal Open Market Committee agreed to keep the target range for the federal funds rate at 0 or ¼ percent and to state that economic conditions warrant exceptionally low levels for the federal funds rate at least through mid-2013.

Like the national outlook, California's economy has felt the impact of the worst recession since the Great Depression. California's economic performance was mixed through early 2011, with most industry sectors growing again while a few continued in the doldrums (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2011-12 Economic Forecast and Industry Outlook, Mid-Year Update). Retail sales continued to recover some of the losses incurred in 2008-2009, while tourism was up across the board. The state's high tech sector is booming, and capital is flowing into the industry once again. Activity at the state's ports increased at double digit rates in 2010 and early 2011. Some types of state and local government tax revenues turned up in line with renewed growth in incomes and sales. Monthly unemployment in 2010 remained above 12.0% with a December 2010 unemployment rate of 12.3%. In 2011, the average unemployment rate over the first seven months was 12.1% with a July 2011 unemployment rate of 12.4%. Real personal income grew by 1.7%, and taxable sales were estimated to grow by 1.8% in 2010 (final taxable sales figures will not be available until early

2012). Consumer spending continues to be impacted by this economic volatility. California's economy is starting to recover from the steep 2008-2009 recession. Unemployment is still extremely high, and many business firms are reluctant to hire until they are certain that better times will be long-lasting. Nonfarm employment is projected to grow by 1.1% in 2011 and 0.6% in 2012. In 2011, real personal income is expected to grow by 2.3% and taxable sales are predicted to increase by 1.7%. More improvement is expected in 2012.

San Diego certainly shared the pain of the recession along with the rest of Southern California. Increasing prices in commodities, including gasoline prices, are anticipated to place stress on the region. However, tourists are coming back, and many of the County's biggest industries are on the mend (Source: Los Angeles County Economic Development Corporation - The Kyser Center for Economic Research: 2011-12 Economic Forecast and Industry Outlook, Mid-Year Update). Unemployment in the region in 2010 averaged 10.5%, and was lower than the 2010 median of 11.25% for the 10 largest counties in the State. In 2011, the average unemployment rate over the first seven months was 10.2% with a July 2011 unemployment rate of 10.5%. Another indicator of economic health is County taxable sales. Taxable sales started to decline overall in the County in 2007 and that trend continued in 2008 and 2009. The annual figures on taxable sales for 2010 are not yet available from the California State Board of Equalization, but sales tax revenues in 2010 have shown a gradual improvement, which suggests that taxable sales in San Diego County, similar to predictions for California as a whole, ended better in 2010. This improvement is expected to continue in 2011 and 2012.

The state of the economy plays a significant role in the County's ability to provide core services and the mix of other services sought by the public. For example, there continues to be an increased demand for public assistance, while at the same time the State and local resources available to fund those services are not able to keep pace with the demand. The real estate market slump has impacted the County's general purpose revenue (GPR), although GPR is expected to increase marginally in fiscal year 2012 from fiscal year 2011. General purpose revenue is relied upon to fund local services where no other funding is available, as well as to fund the County's share of costs for services that are provided in partnership with the State and federal government. The State of California has been severely impacted by the recession while also struggling with budget imbalances. In fiscal year 2012, the State of California's adopted budget also realigned various criminal justice, mental health and social service programs, representing a long term change in state and county responsibilities.

County management continues to evaluate and respond to the changing economic environment and its impact on the cost and the demand for County services. Specific actions are detailed in the fiscal year 2012 Adopted Operational Plan which can be accessed at <http://www.sdcountry.ca.gov/auditor/opplan/adoptedlist.html>.

County's Economic Base

The County's economic base consists of a significant manufacturing presence (e.g. energy storage, cyber-security, and clean tech), a large tourist industry attracted by the favorable climate of the region, a considerable defense-related presence, and the region is a thriving hub for biotech and telecommunications industries. Highlights of County employment as of July 2011 are listed below:

- Non-agricultural, industry employment totaled 1,240,200 jobs. This represents a gain of 27,300 jobs from the unadjusted July 2010 employment figures.
- The services industry, including information, professional and business services, education and health services, leisure and hospitality, and other services, constitutes the largest employment sector and accounted for approximately 48.8% of non-agricultural employment, with a total of 605,700 employed.
- The wholesale and retail trade industries were the second largest non-government sector, comprising approximately 13.7% of non-agricultural employment totaling 170,400 jobs.
- Government accounted for approximately 17.7% of non-agricultural employment (219,700). San Diego's military presence contributes to this significant component.
- Manufacturing accounted for an additional 7.5% of non-agricultural employment (92,400).
- The construction sector is greatly influenced by the general health of the economy, and in particular, population and housing growth. Construction employment, which accounted for 4.4% of total non-agricultural employment or 54,500 jobs, was down 4,400 jobs from the unadjusted July 2010 employment figures. The continued low but improving level of residential building permits and continued relatively high level of foreclosures combined with the marginally declining median home prices are expected to continue to adversely impact construction jobs through the end of 2011 and into 2012.
- The financial sector, including finance, insurance, real estate and related employment, represents 5.5% of non-agriculture employment (68,800). Financial activities experienced an increase of 900 jobs from the unadjusted employment figures for July 2010.
- Transportation, Warehousing and Public Utilities accounts for 2.3% of non-agricultural employment (28,300).
- Agriculture and mining accounted for approximately 0.7% of total employment.
- Self-employed, household domestic workers and miscellaneous other categories not captured in industry employment represents approximately 11.5% or 162,200 of total employment (1,412,100). This category experienced a decrease of 24,400 jobs from the unadjusted employment figures for July 2010.
- The San Diego County region experienced a net job gain of 3,200 from the July 2010 unadjusted employment figure of 1,408,900 (representing civilian labor force data by place of

residence including self-employed, household domestic workers, unpaid family workers and workers on strike) to the July 2011 level of 1,412,100. This compares to a decrease of 5,700 jobs the previous year. The County has been in the midst of significant volatility. San Diego's index of leading economic indicators has trended higher since April 2009, despite recent weakness, indicating gradual economic improvement overall. While the pace of the economic recovery has remained slow, 2012 should see continued signs of improvement for the region.

County revenues that are affected by the state of the local economy include property taxes, sales taxes, and charges for services. Key factors impacting these revenues include real estate activity and consumer spending which are in turn greatly influenced by interest rates and employment levels. Although short and long-term interest rates are low by historical standards, there seems to be a general view that the pace of economic recovery at the national, state and local levels will be gradual.

An impact of the overall housing market decline is an improvement in the California Association of Realtors index for first-time buyers throughout California. Based on the California Association of Realtors' First Time Buyer Housing Affordability Index, San Diego's housing affordability index, (the percentage of households that can afford to purchase an entry-level home) stood at 64% in June 2011. This is a slight improvement from 62% in December 2010, 57% in December 2009 and 2008, significantly up from 33% in December 2007, and 27% in December 2006. This index is based on an adjustable rate mortgage and assumes a 10% down payment and a first-time buyer purchase of a home equal to 85% of the prevailing median price. The improvement in the percentage of households that could afford to buy an entry-level home in San Diego was based on the market-driven drop in entry-level priced homes, the corresponding adjustment to the monthly payment needed (including taxes and insurance), and an adjustment to the qualifying income level for the lower priced entry-level homes.

Sources: State of California Department of Finance, U.S. Census Bureau, San Diego Association of Governments (SANDAG) - San Diego's Regional Planning Agency, the State of California Employment Development Department, and the California Association of Realtors.

General Management System

The County's General Management System (GMS) is the framework that establishes and guides the management of County operations and service delivery to residents, businesses and visitors. The County sets goals, prioritizes the use of resources, evaluates performance, ensures cooperation and recognizes accomplishments in a structured and coordinated way. By doing so, the County of San Diego moves away from the negative image of "red tape" and "government bureaucracy" into an organization that values and implements efficiency, innovation and fiscal discipline and one that provides focused, meaningful services to improve lives and benefit the community.

At the heart of the GMS are five overlapping components which ensure that the County asks and answers crucial questions:

Strategic Planning asks: *Where do we want to go?* The Strategic Plan looks ahead five years to anticipate significant needs, challenges and risks that are likely to develop and sets goals for the future. Long-range strategic planning requires assessing both where the County is and where it wants to be.

Operational Planning asks: *How do we get there from here?* Operational Planning allocates resources to specific programs and services that support the County's long-term goals as articulated in the Strategic Plan over the next two fiscal years. This includes adoption of an annual budget and approval in principle of a second year spending plan.

Monitoring and Control asks: *How is our performance?* Monitoring and Control shows whether the County is on track to achieve its goals. The County evaluates its progress at regular intervals and makes necessary adjustments. Progress is evaluated monthly, quarterly and annually.

Functional Threading asks: *Are we working together?* Although the County is divided into distinct groups, departments and divisions for operational purposes, the County has many critical functions and goals that cross these organizational lines. Functional threading ensures coordination throughout the organization to pursue shared goals, solve problems, maximize efficiency and exchange information.

Motivation, Rewards and Recognition asks: *Are we encouraging excellence?* County employees must embrace the GMS disciplines. This requires setting clear expectations, providing incentives, evaluating performance and recognizing those who meet or exceed expectations. Motivation, Rewards and Recognition encourages individual and group excellence. The Operational Incentive Plans, Departmental Excellence Goals, the Do-It-Better-By-Suggestion (DIBBS) program and department recognition programs are the primary ways the County recognizes employees and encourages excellent performance.

The five GMS components form an annual cycle that is renewed each fiscal year with review of the Strategic Plan and development of a new Operational Plan.

Strategic and Operational Planning (Budgetary) Process

As noted above, a five-year Strategic Plan is updated annually to provide long-term direction to County managers and staff. Each fiscal year a two-year Operational Plan is prepared and details each department's strategic objectives and the resources required to achieve them. The Operational Plan is monitored regularly and is linked to the GMS system of rewards and recognition. Pursuant to Government Code 29000 et seq., State law allows the Board of Supervisors to formally adopt only the first year of the Operational Plan as the County's budget. State law permits modifications to the adopted budget during the year with approval by the Board of Supervisors or in certain instances, by the Chief Financial Officer. The Chief Administrative Officer

reviews the status of the County's performance against the budget in a quarterly status report to the Board of Supervisors.

Financial (Budgetary) Policies

Government Code Sections 29000 through 30200 provide the statutory requirements pertaining to the form and content of the County's Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "funding sources shall equal the financing uses".

County Charter Section 703 establishes the Chief Administrative Officer as responsible for all Group/Agencies and their departments (except departments with elected officials as department heads) and for supervising the expenditures of all departments and reporting to the Board of Supervisors on whether specific expenditures are necessary.

County Administrative Code Article VII establishes the components and timeline for the budget process and establishes the Chief Administrative Officer as responsible for budget estimates and submitting recommendations to the Board of Supervisors.

The County has the following financial policies that serve as guidelines for the budget process

Board of Supervisors Policies

A-136 Use of County of San Diego General Management System for Administration of County Operations: Establishes the General Management System (GMS) as the formal guide for the administration of County departments, programs and services, and ensures that all County departments and offices operate in compliance with the GMS.

B-29 Fees, Grants, Revenue Contract: Provides a methodology and procedure to encourage County departments to recover full cost for services whenever possible.

B-71 Fund Balance and Reserves: Establishes guidelines regarding the use of fund balance and the maintenance of reserves in order to protect the fiscal health and stability of the County. Expenditures for services are subject to fluctuations in demand and revenues are influenced by changes in the economy and by State and federal regulations. This policy ensures the County is prepared for unforeseen events by establishing and maintaining prudent levels of fund balance and reserves.

M-13 Legislative Policy: State-Mandated Local Program Costs: Calls on the State and Federal Legislature to encourage equitable reimbursement of mandated local program costs.

M-26 Legislative Policy: Governance and Financing of Local Agencies: Calls on the Legislature to redress inequitable State funding formulas.

Administrative Manual

0030-01 Procedure for Fees, Grants and Revenue Contracts for Services Provided to Agencies or Individuals Outside the County of San Diego Organization: Establishes a procedure within the framework of Board of Supervisors Policy B-29, to serve as

guidance in the process of recovering full costs for services provided to agencies or individuals outside the County of San Diego organization under grants or contracts or for which fees may be charged.

0030-06 State Mandated Cost Recovery: Establishes guidelines to attempt full recovery of all State mandated costs resulting from chaptered legislation and executive orders.

0030-14 Use of One-Time Revenues: One-time revenue will be appropriated only for one-time expenditures such as capital projects or equipment, not to ongoing programs.

0030-22 Revenue Management - Auditor and Controller & Chief Administrative Responsibilities: Chief Financial Officer/Auditor and Controller and Chief Administrative Officer are responsible for reviewing and evaluating revenues from all sources in order to maximize these revenues within legal provisions and to institute internal controls and systems to be used by departments to estimate, claim, and collect revenues.

Strategic Initiatives and Achievements

The inability of State government to develop a viable long-term solution to its budget imbalance remains a risk to funding and stability of County programs, since State aid is the primary source of County revenues.

Notwithstanding, County government continues to follow the map of the Strategic Plan developed within the discipline of the GMS to maintain core County services within available revenues, as well as to re-shape the County's organizational structure and implement additional efficiencies, new technologies and new ways of working that enable County workers to quickly identify and adapt to changing public needs or program realities. The Strategic Initiatives focus on what the County will do to serve the public and change over time as public needs, desires and priorities change. The County's strategic Initiatives are:

- **Kids** - Improve opportunities for children and families.
- **The Environment** - Manage the region's natural resources to protect quality of life and support economic development.
- **Safe and Livable Communities** - Promote safe and livable communities.

The Strategic Plan also includes Required Disciplines that address the County's internal priorities. The Required Disciplines are the foundation the County organization must establish to accomplish our public service goals efficiently and effectively. They set the standards for continued operational excellence the County is committed to achieving. These Required Disciplines are:

- Fiscal Stability
- Customer Satisfaction
- Regional Leadership
- Skilled, Adaptable and Diverse Workforce
- Essential Infrastructure
- Accountability/Transparency & Ethical Conduct
- Continuous Improvement
- Information Technology

Within the structure of the two-year operational planning process, the County plans for and attains interim progress toward achievement of the Strategic Initiatives. Some of the highlights over the last year were:

Kids: Improve Opportunities for Children and Families

- The County continued to improve health and health care, helping children and the adults that care for them, by launching the County's Strategy Agenda for Health, "Live Well, San Diego!," to improve services through four overarching strategies - changing the culture within, supporting healthy choices, pursuing policy changes for a healthy environment, and building a better service delivery system that is innovative and outcome-driven, emphasizing quality, efficiency, cost savings, and large-scale population-based improvements. Examples of this include:
 - Implemented additional pathways to eligibility for public assistance through online applications, 2-1-1 San Diego, and video interviewing resulting in increased enrollment of 21,863 (for a total two-year increase of 52,333) children and seniors in CalFresh (formerly Food Stamps), achieving three-year Nutritional Security Plan goal to enroll 50,000 children and seniors one year early.
 - Integrated CalFresh application assistance and prescreening at 12 Earned Income Tax Credit sites.
 - Partnered with San Diego Unified School District to promote CalFresh as a healthy, nutrition assistance program for low-income families.
- Implemented In-Home Supportive Services (IHSS) reform recommendations, including program integrity case reviews and unannounced home visits to protect taxpayer dollars and ensure appropriate level of care for consumers.
- Integrated Welfare-to-Work, Refugee Employment Services and Child Care under one contract to align programs and provide a one-stop service that promotes self-sufficiency.
- Maximized compliance with child support orders by promoting, enabling and ensuring payment for families. Informed and educated the community about child support services through proactive media relations and community outreach.
- Provided rehabilitative services to youth in custody to prepare them for success in the community.
- Improved safety for children and their families in school areas by repainting and re-marking crosswalks and roadway legends adjacent to all 116 public school locations throughout the unincorporated areas of the county, keeping children safe from traffic around their schools and providing safe routes to school.
- Assisted 140 low-income families by providing rental assistance in a program that combines rental assistance for homeless veterans with case management and clinical services provided by the US Department of Veterans' Affairs.

The Environment: Manage the Region's Natural Resources to Protect Quality of Life and Support Economic Development

- Inspected 8,462 priority emission sources to ensure compliance with air pollution control standards. (Priority emission sources include all Air Pollution Control District permitted operations such as gas stations, auto body shops, dry cleaners and power plants.)
- Installed three photovoltaic systems at existing facilities to reduce County reliance on fossil fuels and reduce annual operating costs, delivering a positive return on investment.
- Upgraded one park facility with artificial turf to conserve water resources, to reduce overall maintenance and to provide state of the art playing fields for year-round sports programs.
- Protected local watersheds:
 - Conducted 166 presentations on watersheds and water quality to high school students at 90% of unincorporated County public high schools - as a long-term strategy for achieving positive behavioral changes.
 - Conducted 594 site investigations. These investigations provide crucial data for understanding the condition of receiving waters in all eight watersheds and how they are impacted by discharges from unincorporated communities.
- Preserved and enhanced the quality of life for County residents by implementing habitat conservation programs such as the Multiple Species Conservation Program (MSCP) and the Special Area Management Plan (SAMP), which streamlined the development process and helped create viable permanent open space preserves.

Safe and Livable Communities: Promote Safe and Livable Communities

Addressed core law enforcement and public safety needs and implemented community-based initiatives to improve public safety.

- Worked collaboratively with criminal justice partners to expand the Local Reentry Program aimed at providing individualized rehabilitative programming to those in local custody. Collaborated with the Superior Court, California Department of Corrections and Rehabilitation to implement a Reentry Court to provide supervision and rehabilitation to recidivist felony offenders. Collaborated to develop and implement a reentry program for female offenders reentering the community after incarceration in Las Colinas Detention Facility.
- Participated in multi-agency operations including gang operations, truancy sweeps, probation and parole sweeps and sobriety checkpoints.
- Successfully secured and removed an extremely dangerous residential structure contaminated with explosives and hazardous chemicals, bringing together law enforcement, emergency management, air quality, transportation and

hazardous material experts to destroy unstable chemicals and explosives through a controlled burn, and to remove debris, clean the soil and ensure the safety of the neighborhood, the surrounding community and the region.

- Continued to enhance emergency preparedness for the region and protected residents from wildfire and other natural disasters:
 - Implemented Step II of the County's Fire and Life Safety Reorganization Report, which includes the merging of the five County Service Areas into the San Diego County Fire Authority - CSA 135.
 - Mitigated fire fuel hazards and maintained fire safe zones in 24 park facilities through continued implementation of vegetation management practices.
 - Improved regional leadership of the administrative functions and land use planning services related to fire and emergency medical services, while maintaining local operational control for fire and emergency medical response.
 - Continued to collaborate with fire service entities to improve fire protection and emergency response by providing ongoing funding for existing contracts and much needed resources to rural communities, such as response apparatus and centralized dispatch.
- Awarded construction contracts for seven Capital Improvement Projects that improve traffic flow and provide enhanced safety.
- Maintained the planned schedule of library operations with 89,296 hours open and promoted lifelong learning through adult literacy programs attended by 62,000 library patrons.
- Achieved the goal of 0% euthanasia of any healthy, friendly animal by reuniting animals with their owner or through adoption.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Other Awards and Recognitions

Even with the continued financial and environmental challenges in Fiscal Year 2011, the County was recognized for many activities that highlight progress in the Strategic Plan Initiatives. The County of San Diego works hard to maintain its standing as a best practices organization, offering programs that improve the lives of San Diego County residents in ways that are relevant and measurable. The County is proud that its leadership in these areas has been recognized for the following:

- The County of San Diego won national recognition and the second highest number of awards in the county by the National Association of Counties (NACo). Twenty-eight programs received Achievement Awards for excellence in 2011. The award-winning programs operate within all five County business groups and include programs that serve children, youth and seniors, as well as those that promote environmental protection, public safety and efficient, effective county administration. Programs receiving awards included:
 - Camp Connect San Diego - a public-private partnership program designed to bring together siblings who have been separated by their placement in the foster care system.
 - Teens Go Green: Mental Health Life Skills Program - a program that provides life skills to help prepare teenagers with emotional challenges or mental illnesses for adulthood. Through an innovative gardening project, the youth worked with chefs and gardeners to achieve healthy results they could see through the vegetables that grew.
 - Girls Only - a gender-specific preventative program that promotes self-esteem and motivation, in order to develop life skills and keep girls who are at risk out of the influence of gangs and drugs, and inspire them to further their education.
 - Families as Partners - a Child Welfare Services program designed to protect children and ensure they can remain safely in their homes by partnering with community and familial support systems to achieve identified goals.
 - Homelessness Prevention and Rapid Re-housing Program Design - through partnership with the U.S. Department of Housing and Urban Development, this program addresses the needs of local school districts that serve families with housing subsidies. The program stabilized 137 families and ensured that 257 children remained in school.
 - In-Home Supportive Services (IHSS) Reform - Implemented reform recommendations for this state-mandated program administered by counties, including program integrity case reviews and unannounced home visits to protect taxpayer dollars and ensure appropriate level of care for consumers.
 - Prescription Drug Abuse Task Force and Collaborative Action Plan - promotes coordinated efforts by federal, state and local partners throughout the region, and

provides the public with a clear description of how prescription drug abuse among teens and young adults will be addressed to prevent the related issues from escalating.

- San Diego Air Pollution Control District's Compliance Inspection Videos - an innovative tool to provide assistance, training and education to the regulated facilities to prevent non-compliance and promote self-inspections to ensure ongoing compliance.
- Water Conservation Landscape Ordinance - a new landscape conservation ordinance that includes a Landscape Design Manual that gives the County greater oversight when builders prepare landscape plans and water budgets.
- Energy Saving Adventures (ESA) Program - a program that supports community needs in the areas of energy efficiency and sustainability through resource conservation.
- Water Efficiency Program - a program developed to reduce water consumption and sewer discharge, and their associated costs at County facilities. This program has produced an annual water savings of 150 million gallons, with an associated cost savings of \$1.1 million.
- HOPE (Helping Other Pursue Excellence) - a local reentry resource program designed to gather and share information on service providers, etc. with inmates released or recently released from local jail custody. The program is run by Americorps VISTA (Volunteers in Service to America) and staff at the San Diego County District Attorney's Office.
- Blueprint for Recovery: Comprehensive Services for Homeless Mentally Ill - a multi-faceted approach to provide this vulnerable population with permanent housing, the necessary supportive services and a stigma-busting campaign.
- Responsible Pet Ownership Program - The Department of Animal Services, the San Diego City Attorney and the San Diego County District Attorney developed an educational Responsible Pet Ownership program to reduce recidivism of animal law violators. The program also promotes a cooperative relationship with animal owners, while saving taxpayers' money.
- Veterans' Internship Program Work Experience Option - a program that provides paid work experience to veterans pursuing a career in County government and enables them to effectively compete for regular County jobs or employment with other agencies.
- Emergency Management Augmentation Program - The Office of Emergency Services (OES) developed a local program to utilize trained Probation Officers to augment OES staff in the County's Emergency Operations Center during emergencies. This lessens the County's reliance on mutual aid, while strengthening its ability to manage large, complex emergencies and disasters.
- Partner/Sponsor Cross-Promotions - a program that targets arts and community-based organizations in support of library programs and events, offering mutual benefit and connections for increased collaboration.
- Safe and Livable Communities: Ground-in Centerline Rumble Strips on Rural Roadways - a program to install ground-in centerline rumble strips along mountain and other rural roads to reduce the number of collisions involving motorcycles that cross the centerline. This resulted in a 30% decrease in collisions on Palomar Mountain.
- Tip the Scale to Reduce Drug Abuse and Increase Public Safety - a large-scale, multi-agency collaborative effort to tackle the County's pervasive drug problem. The program Operation Tip the Scale encourages treatment for criminals and holding substance abusers accountable for their legal court orders, thus creating healthier and safer neighborhoods.
- Accountability and Transparency of ARRA Funds -To ensure compliance and promote accountability and transparency regarding funding from the American Recovery and Reinvestment Act (ARRA), a taskforce was established to proactively address such issues as grant accountability, contract management, the prevention of fraud, waste, and abuse and reporting requirements.
- San Diego County Probation Department Leadership Academy - a program to empower supervisors and managers to improve service delivery with implementation of evidence based programs and supervision techniques to adult felony probationers, with the goal of reducing recidivism among adult probationers.
- Improved Administration of County Pool Investment Strategy - The County Treasurer's Office improved the administration of the San Diego County Pool's investment strategy during the credit crisis and the State budget challenges, through enhanced monitoring of credit markets, restrictions of corporate exposure, utilization of Federal liquidity programs, and shortening of the Pool's duration.
- Electronic Classification Activity Request (eCAR) Tracking System - The Department of Human Resources, which receives an average of 350 internal classification requests per year, developed an electronic Tracking System that allows departments to utilize an electronic "Smart Form" to submit a variety of classification requests. This has greatly reduced the content error rate and the amount of paper used.
- Sheriff's Management Academy - a Peace Officer Standards and Training (POST) certified training program for the levels of Lieutenant and higher within the Sheriff's Department on topics from contracts to leadership skills.

- Contract Services Direct Billing Program - a program developed by the Department of General Services to provide client departments with actual and timely billing with a direct correlation to the provided service (e.g., trash, etc.).
- Treasurer-Tax Collector Workflow Prioritization Matrix - a tool to manage daily priorities and provide a high level of customer service within existing resources.
- San Diego Multiple Agency Public Safety System - a program that consists of a Government 2.0 designed Geographical Information Systems (GIS) project that allows the newly reorganized County Volunteer Fire Departments to jointly maintain their critical infrastructure and their community information in a Web-based mapping and data editing application.
- Transcending to be a Government Without Walls - continued implementation of a program that evaluates and identifies areas within departments where alternative work schedules or locations would benefit department business needs, reduce vehicle fuel and maintenance costs, and increase efficiency and productivity.
- For the ninth consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada recognized the County with the Distinguished Budget Presentation Award for the Adopted Operational Plan Fiscal Years 2010-11 & 2011-12. This award is a significant achievement for the County as it reflects the organizations commitment to maintaining the highest standards of governmental budgeting.
- The San Diego County Taxpayers Association presented the County of San Diego an It's about Time Award Winner for the resource saving Electricity Procurement Strategy program. Since 2008, the County has reduced electricity costs by more than \$3 million by locking in current market pricing rather than using fixed rates for energy. This strategy is possible due to energy market deregulation that happened in the mid-90s, and is utilized by numerous private businesses. Though this procurement strategy has admittedly been long-available, the County's swift movements to adopt it in response to sharp increases in natural gas prices in 2008 ultimately saved taxpayers millions.
- The Department of Purchasing and Contracting received its tenth consecutive Achievement of Excellence in Procurement award from the National Purchasing Institute recognizing organizational excellence in public procurement. The County of San Diego is one of only 38 government agencies in California and one of only 34 counties in the United States to receive this award. The award's criteria measures innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function.
- The County won national recognition for its award-winning Workforce Academy for Youth (WAY). Generations United, a national membership organization focused on improving the lives of children, youth and older people through intergenerational strategies, programs and public policies, named the Workforce Academy a Program of Distinction.
- The National Child Support Enforcement Association honored the Department of Child Support Services with the 2010 Excellence Award for Program Awareness based on their effective use of media relations and public outreach in dissemination of child support program information and public awareness. The department was also honored by the California Child Support Director's Association with the 2010 Outstanding Program Award, in recognition of the department's quality services to the community.
- The County Operations Center (COC) won the 2011 Energy All-Star Award for best government/nonprofit building from the California Center for Sustainable Energy for the numerous green features in the design, including heat-reflective roofing, a large solar-electrical system and water-saving plumbing systems and landscaping.
- The Women's Transportation Seminar selected County Airports for their Annual Award for Innovative Transportation Solutions for the McClellan-Palomar Airport Terminal Redevelopment Project. The terminal was built with consideration of energy and environmental design criteria and sustainable design principles.
- The District Attorney Computer and Technology Crime High-Tech (C.A.T.C.H.) Response Team was honored by the San Diego Business Journal's 1st Annual Cyber Security Awards. C.A.T.C.H. apprehends and prosecutes criminals who use technology to prey on citizens in our region.
- The Department of Parks and Recreation won three 2011 National Association of County Park and Recreation Officials (NACPRO) Awards. The award-winning projects involved improvements to the Sweetwater Campground, water conservation improvements at County Parks and restoration of the Bancroft Rock House.
- The San Diego Housing Federation honored the Department of Housing and Community Development with an Award of Merit as "Housing Project of the Year" in the Rehabilitation category for Outstanding Government Agencies for the 34th Street Apartments project which provides housing opportunities for persons with HIV/AIDS.
- The San Diego County Library received a "Library of the Year" Special Mention honor from Library Journal and Gale Cengage Learning received this honor for innovation, excellence, and for being a library system that features the service philosophy and dedication to community that signifies a Library of the Year.
- The Department of Public Works received Public Works Project of the Year Award for the renovation of the runway at McClellan-Palomar Airport from PublicCEO, an online magazine for California Cities and Counties. A 5,000 foot long runway was resurfaced with a 23" thick layer of asphalt and concrete. Old asphalt that was torn up in the construction process was recycled for the runway's new layer.

- The Department of Housing and Urban Development Los Angeles Office of Public Housing awarded the Department of Housing and Community Development with the “Up and Up Campaign” award for Achievement in Housing Choice Voucher Utilization for their hard work and best practices that ultimately increase the number of families served under the Housing Choice Voucher Program.
- The Department of Parks and Recreation won an Award of Excellence from the California Parks and Recreation Society for the planning and design of Clemmens Lane Park. The park includes a soccer field, volleyball court, two play structures and picnic area.
- The National Association of Area Agencies on Aging awarded Aging and Independence Services with two of nine national Aging Innovation Awards for the “TEAM San Diego” project and the “Workforce Academy for Youth” program. TEAM San Diego works with health and social service providers to coordinate needs in those areas for aging and disabled populations. The Workforce Academy for Youth is an intergenerational program that pairs youth with senior life skills coaches who support their future employment goals.
- The Institute of Transportation Engineers - San Diego Section awarded Transportation Project of the Year to the Department of Public Works for using High-Risk Rural Road funds to install rumble strips on South Grade Road at Palomar Mountain to reduce collisions. The rumble strips make the road bumpy and loud when tires cross the center line. Since installation of the strips, collisions have reduced dramatically.
- Health Care Communications presented Behavioral Health Services with the Gold Award for their “Network of Care” website, which provides local information on behavioral health as part of a national network system.
- Guajome Regional Park was named Best of Family Attractions - Oceanside California by UpTake.com based on customer reviews and expert ratings from across the Web.
- The video “Green It Up: Watershed Protection” won an Emmy Award at the 35th Annual National Academy of Television Arts and Sciences, Pacific Southwest Chapter Awards ceremony. The County won six other Emmy Awards in various categories. The awards recognized the “Oxy Abuse Kills” public service announcement series; “Water Babies”, a story about the benefits of water safety training for toddlers, and “Tsunamis: Know What To Do!”, an animated educational video designed for children.
- The Government and Finance Officers Association (GFOA) recognized the County's Management Controls Initiative (MCI) with an honorary mention in its 2010 Awards for Excellence in Government Finance. This Countywide initiative provides a framework for identifying and mitigating risk to ensure key business objectives that provide public value will be achieved.
- The Department of Planning and Land Use won a first place award for Best Practices from the San Diego Chapter of the American Planning Association for the department's cellular towers and wireless facilities permitting process. The reengineering of the cellular facility permit process decreased the average processing time from 18 months to 7 ½ months, a 60% reduction, and decreased the backlog of cellular projects by 65%.
- The District Attorney's office received an Achievement Award from the national Center for Digital Government for computer animated courtroom exhibits. The award honored the innovation, efficiency and functionality of 3-D computer animations which are used by prosecutors to present evidence during trials.
- The San Diego and Imperial Counties Chapter of the American Public Works Association presented an Honor Award to the County for its handling of the Camp West Fork Demolition and Restoration project. Twenty-one structures on 19.5 acres of leased U.S. Forest land were demolished and restored to a natural, pre-development condition. In addition, the project was completed under budget by more than \$2 million.
- The new Fallbrook Branch Library received two more awards - the Magic of Design Build award from the Design-Build Institute of America Western Pacific Region for the teamwork, innovation and problem solving that took place throughout the project; and a Civic Project Award from the American Concrete Institute for innovative use of concrete in a public building with a Visual Garden wall and a Poet's Patio wall.
- The California County Information Services Directors Association awarded an Innovation Award in the Collaboration Category for a paperless system used by Probation, County juvenile justice partners and County attorneys in Juvenile Court hearings.
- The County's Popular Annual Financial Report (PAFR) earned the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. The PAFR is designed to make the County's financial results more readable for a broader audience.
- The California Counties Facilities Services Association presented the County of San Diego the “2010 Award of Excellence” for agencies who demonstrate facilities excellence through best practices, process innovation, staff development, automation, energy program improvements and customer service.
- The Department of Agriculture, Weights and Measures received an award from Accela, Inc. for Outstanding Achievements in Mobile Inspections. This mobile technology places inspectors in the field nearly 100% of the time, which eliminates transit time from office to field, improves customer service, boosts productivity and reduces fuel and maintenance costs.

Acknowledgments

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Lastly, we thank the members of the Board of Supervisors, the Chief Administrative Officer, Group/Agency General Managers and their staff for using sound business practices while conducting the financial operations of the County.

Respectfully,



A handwritten signature in black ink, appearing to read "Donald F. Steuer".

DONALD F. STEUER
Chief Financial Officer



A handwritten signature in black ink, appearing to read "Tracy M. Sandoval".

TRACY M. SANDOVAL
Auditor and Controller